



STATE OF WASHINGTON

OFFICE OF THE FORECAST COUNCIL

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July 11, 2003

TO: Senator Lisa Brown, Chair
Senator Dino Rossi
Representative Jack Cairnes
Representative Jeff Gombosky
Marty Brown, OFM, Director
Will Rice, DOR, Acting Director

FROM: Chang Mook Sohn, Executive Director
Office of the Forecast Council

SUBJECT: July 10, 2003 REVENUE COLLECTION REPORT

General Fund-State collections were a little below the estimate for the month. Receipts totaled \$1,028.8 million, \$5.5 million (0.5 percent) less than what was expected for the June 11 - July 10 collection period. Revenue Act (retail sales, B&O, use and public utility) and property tax receipts were below the forecast while real estate excise and most other taxes were a little higher than expected.

Although this month's shortfall was relatively small, it indicates that the economy remains weak. We are now six quarters into the recovery, the war in Iraq is behind us and the economy is loaded with fiscal and monetary stimulus, yet the economy is still losing jobs. The U.S. economy lost 70,000 jobs in May 20003 and another 30,000 in June. Payroll jobs have declined for the last five months.

Revenue Act receipts, reflecting payment of taxes that are closely tied to economic activity, were \$9.7 million less than expected for the month. Collections this period primarily reflect May 2003 business activity. For the month, Revenue Act receipts were only 1.2 percent above the year-ago level (adjusting for special factors and new legislation). This is nearly the same as last month's 1.1 percent increase. While the forecast assumes revenue growth will begin to improve, recent experience indicates some deceleration. In the last three months Revenue Act receipts were 0.5 percent below a very weak year-ago level. In the prior three months, Revenue Act receipts were 1.2 above the year-ago level. For the fiscal year-to-date Revenue Act receipts are just 0.9 percent higher than a year-ago.

Memo to Forecast Council Members

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Preliminary data on tax payments for the current month again indicate that retailing activity was much stronger than non-retailing. Tax payments of business in the retail trade sector were close to 5.0 percent above the year-ago level, while payments from taxpayers in non-retailing sectors declined 0.1 percent. Within retail trade, tax payments reported by all major sectors, other than electronic and appliance stores and food and beverage stores, were higher than a year ago. Gas stations and convenience stores and apparel retailers reported double digit increases. Among major non-retail sectors, the largest declines were again reported by utilities, manufacturing, transportation and warehousing, finance and insurance and real estate and the rental and leasing sectors. There were a few non-retail trade sectors that reported increases in tax payments. These include the accommodations and food service, the professional, scientific and technical services, and the construction sectors.

Other General Fund taxes collected by the Department of Revenue were \$4.0 million above the estimate for the month. Higher than expected real estate excise, estate, liquor, and "other" taxes (primarily unclaimed property and property taxes-other than the state levy)) more than offset weaker than expected state levy and cigarette tax collections.

Real estate activity continues to be strong and again accounts for most of the Non Revenue Act positive variance this month. Real estate excise tax payments were \$3.7 million above the forecast for the month. Real estate activity (closings in April reflecting tax payments to the state in May) was 23.0 percent above the year-ago level statewide. The number of transactions were up 10.0 percent, while the average value per transaction increased 11.7 percent. Real estate activity has increased more than 20 percent seven of the past eight months.

Department of Licensing General Fund-State collections were \$156,000 above than the estimate for the month.

The attached Table 1 provides a comparison of collections with the June forecast for the June 11 - July 10, 2003 collection period and cumulatively since the June 2003 forecast. The cumulative variance is virtually the same as for the month because the monthly estimates in the June forecast were adjusted to reflected actual collections through June 10, 2003. Table 2 compares revised collection figures to the preliminary numbers reported in last month's collection report.

CMS:cg

Attachments

TABLE 1
Revenue Collection Report
July 10, 2003 Collections Compared to the June 2003 Forecast
Thousands of Dollars

<u>Period/Source</u>	<u>Estimate*</u>	<u>Actual</u>	<u>Difference</u>	
			<u>Amount</u>	<u>Percent</u>
June 11 - July 10, 2003				
Department of Revenue-Total	\$1,029,200	1,023,580	(\$5,620)	-0.5%
Revenue Act** (1)	653,745	644,090	(9,655)	-1.5%
Non-Revenue Act(2)	375,455	379,491	4,036	1.1%
Liquor Sales/Liter	8,099	8,192	92	1.1%
Cigarette	4,068	3,868	(200)	-4.9%
Property (State School Levy)	286,134	283,645	(2,489)	-0.9%
Estate	6,542	6,821	279	4.3%
Real Estate Excise	44,063	47,802	3,739	8.5%
Timber (state share)	0	0	0	NA
Other	26,548	29,162	2,614	9.8%
Department of Licensing (2)	5,061	5,217	156	3.1%
Lottery (5)	0	0	0	NA
Total General Fund-State***	\$1,034,261	1,028,797	(\$5,463)	-0.5%
Cumulative Variance Since the June Forecast (June 11, 2002 - July 10, 2003)				
Department of Revenue-Total	\$1,029,200	1,023,580	(5,620)	-0.5%
Revenue Act** (3)	653,745	644,089	(9,656)	-1.5%
Non-Revenue Act(4)	375,455	379,491	4,036	1.1%
Liquor Sales/Liter	8,099	8,192	92	1.1%
Cigarette	4,068	3,868	(200)	-4.9%
Property (State School Levy)	286,134	283,645	(2,489)	-0.9%
Estate	6,542	6,821	279	4.3%
Real Estate Excise	44,063	47,615	3,552	8.1%
Timber (state share)	0	(0)	(0)	NA
Other	26,548	29,349	2,801	10.6%
Department of Licensing (4)	5,061	5,213	152	3.0%
Lottery (5)	0	0	0	NA
Total General Fund-State***	\$1,034,261	1,028,793	(\$5,468)	-0.5%

1 Collections June 11 - July 10, 2003. Collections primarily reflect May 2003 activity of monthly taxpayers.

2 June 1-30, 2003 collections.

3 Cumulative collections, estimates and variance since the June 2003 forecast; June 11 - July 10, 2003) and revisions to history.

4 Cumulative collections, estimates and variance since the June forecast; (June 2003) and revisions to history.

5 Lottery transfers to the General Fund.

* Based on the June 2003 economic and revenue forecast.

**The Revenue Act consists of the retail sales, B&O, use, public utility, tobacco products taxes, and penalty and interest.

*** Detail may not add due to rounding. The General Fund-State total in this report includes only collections from larger state agencies: the Department of Revenue and the Department of Licensing.

TABLE 2
June 10, 2003 Collection Report - Revised Data
Thousands of Dollars

<u>Period/Source</u>	<u>Collections</u>		<u>Difference</u>	
	<u>Preliminary</u>	<u>Revised</u>	<u>Amount</u>	<u>Percent</u>
May 11-June 10, 2003				
Department of Revenue-Total	\$1,106,720	\$1,106,720	\$0	0.0%
Revenue Act (1)	610,429	610,429	(0)	-0.0%
Non-Revenue Act(2)	496,292	496,292	(0)	-0.0%
Liquor Sales/Liter	7,273	7,273	0	0.0%
Cigarette	5,014	5,014	0	0.0%
Property (State School Levy)-net	415,909	415,909	0	0.0%
Property tax collections	415,909	415,909	0	0.0%
transfer to the Student Achievement Acct.	0	0	0	NA
Estate	8,026	8,026	(0)	-0.0%
Real Estate Excise	43,009	43,009	(0)	-0.0%
Timber (state share)	2,121	2,121	0	NA
Other	14,940	14,940	(0)	-0.0%
Department of Licensing (2)	3,967	3,963	(4)	-0.1%
Lottery (2)	0	0	0	NA
Total General Fund-State***	\$1,110,687	\$1,110,683	(\$4)	-0.0%

Cumulative Receipts: March 11 - June 10, 2003 & Revisions to History

Department of Revenue-Total	2,601,926	\$2,601,926	(\$0)	-0.0%
Revenue Act (3)	1,918,082	1,918,082	(0)	-0.0%
Non-Revenue Act(4)	683,844	683,844	(0)	-0.0%
Liquor Sales/Liter	21,048	21,048	(0)	-0.0%
Cigarette	12,959	12,959	(0)	-0.0%
Property (State School Levy)-net after transfer	486,208	486,208	(0)	-0.0%
Property tax collections	486,208	486,208	(0)	-0.0%
transfer to the Student Achievement Acct.	0	0	0	NA
Estate	21,093	21,093	(0)	-0.0%
Real Estate Excise	111,658	111,658	0	0.0%
Timber (state share)	2,121	2,121	0	NA
Other	28,758	28,758	(0)	-0.0%
Department of Licensing (4)	8,473	8,425	(48)	-0.6%
Lottery (4)	0	0	0	NA
Total General Fund-State***	\$2,610,399	\$2,610,351	(\$48)	-0.0%

Preliminary. Reported in the June 10, 2003 collection report.

1 Collections May 11 - June 10, 2003. Collections primarily reflect April 2003 business activity of monthly taxpayers.

2 May 1-31, 2003 collections.

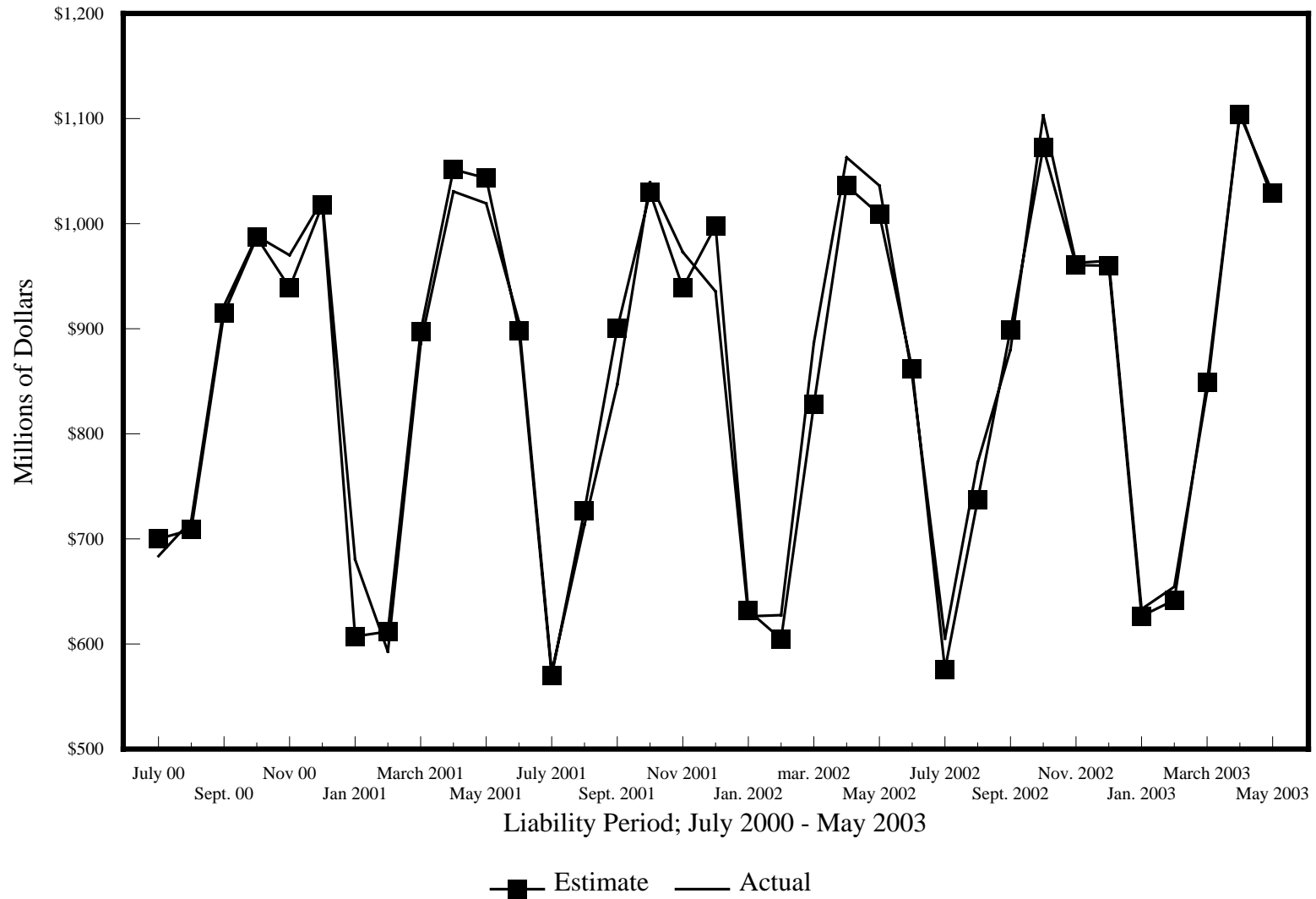
3 Cumulative receipts since the March 2003 forecast: March 11- June 10,2003 & revisions to history.

4 Cumulative receipts since the March 2003 forecast (March, April & May 2003) & revisions to history.

* Revenue consists of the retail sales, B&O, use, public utility and tobacco products taxes, and penalty and interest payments for these taxes.

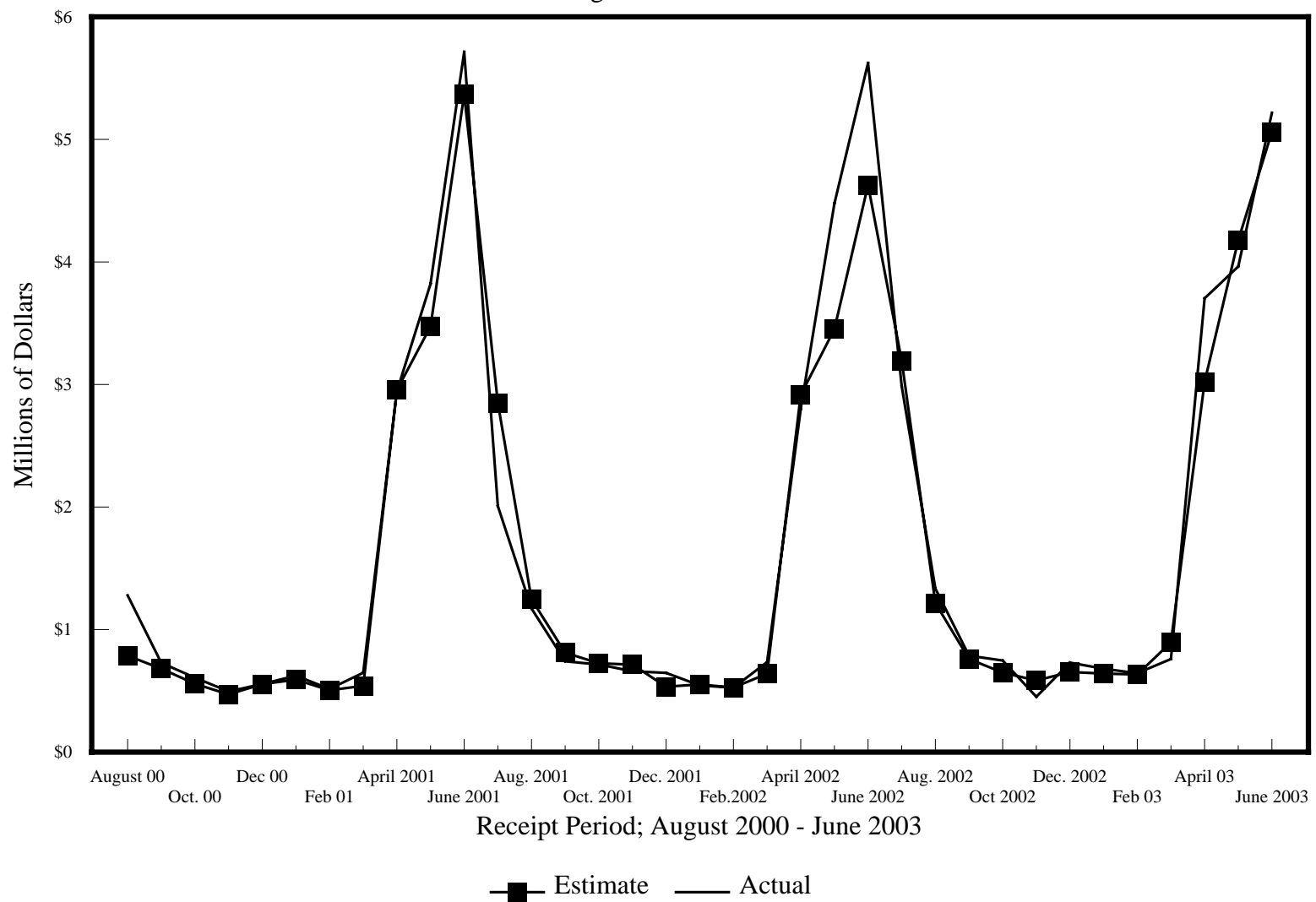
Department of Revenue: General Fund-State, Actual vs. Estimate

July 2000 to May 2003



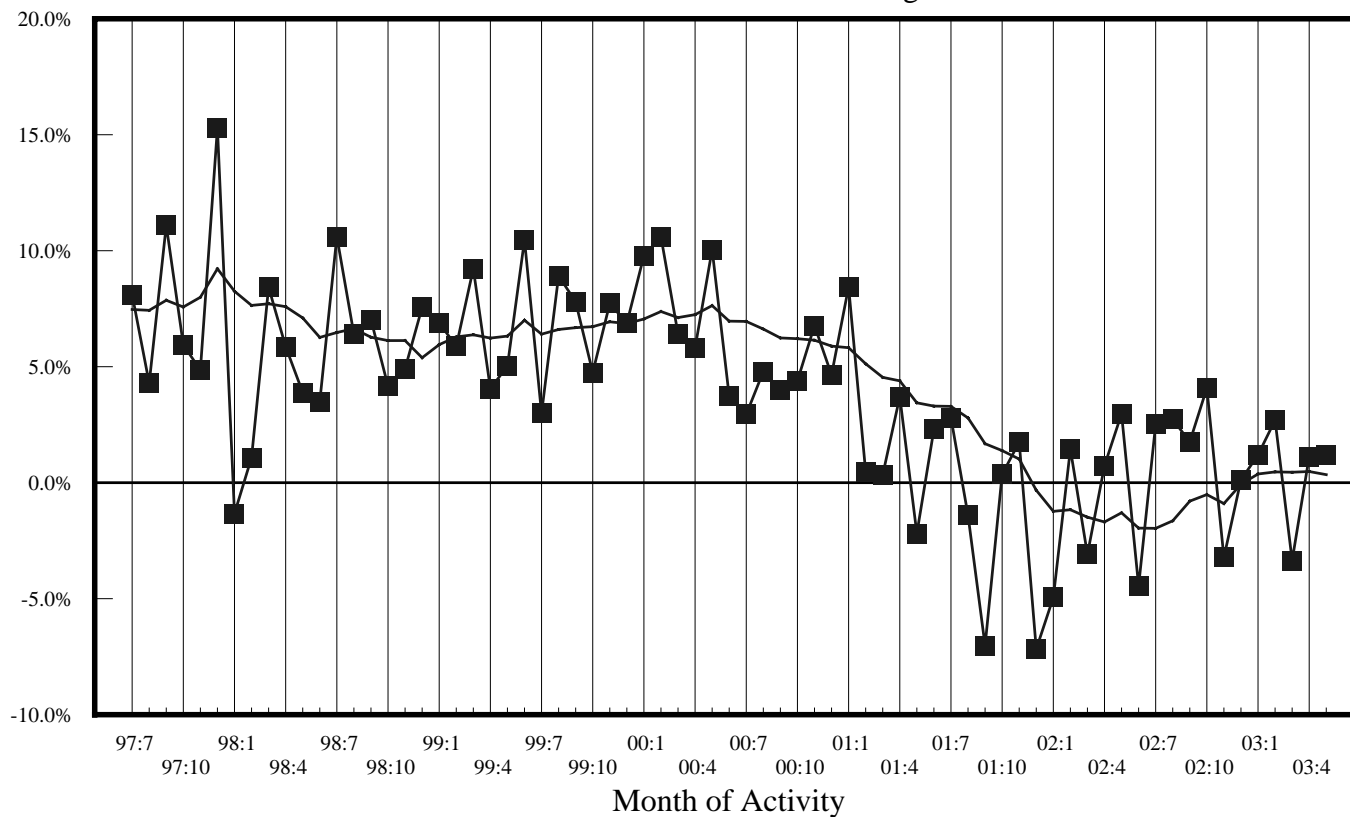
Department of Licensing General Fund-State, Actual vs. Estimate

August 2000 to June 2003



Revenue Act Net Collections*

Year-over-Year Percent Change



■ %CH from year-ago month

— Twelve Month Moving Average

*Adjusted for special factors